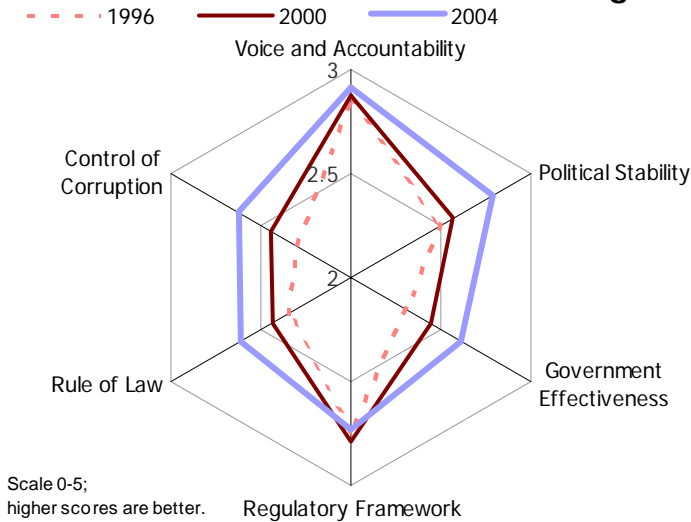
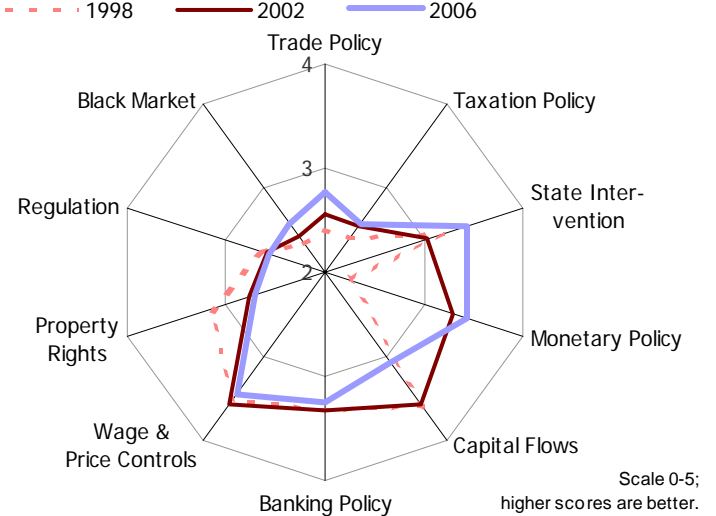


Governance Indicators in the LAC Region

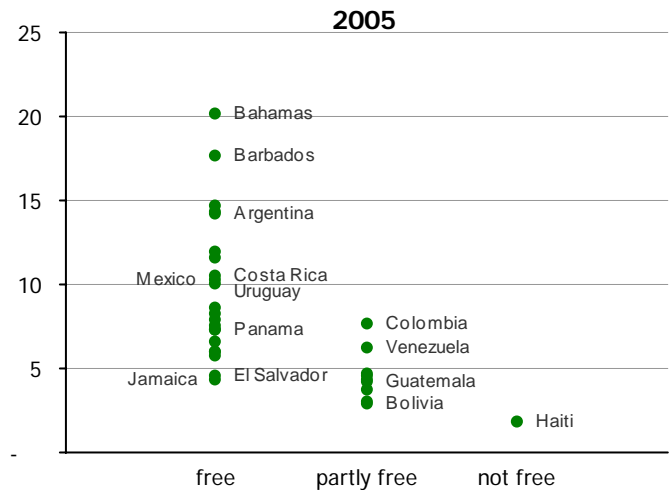
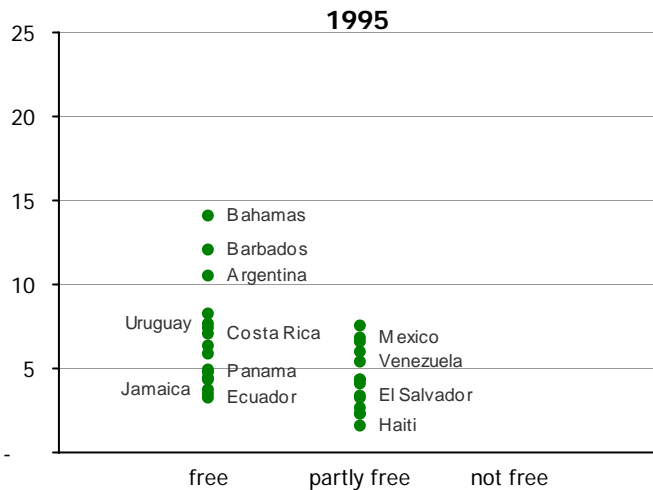


Economic Freedom in the LAC Region



Freedom and per capita GDP in LAC

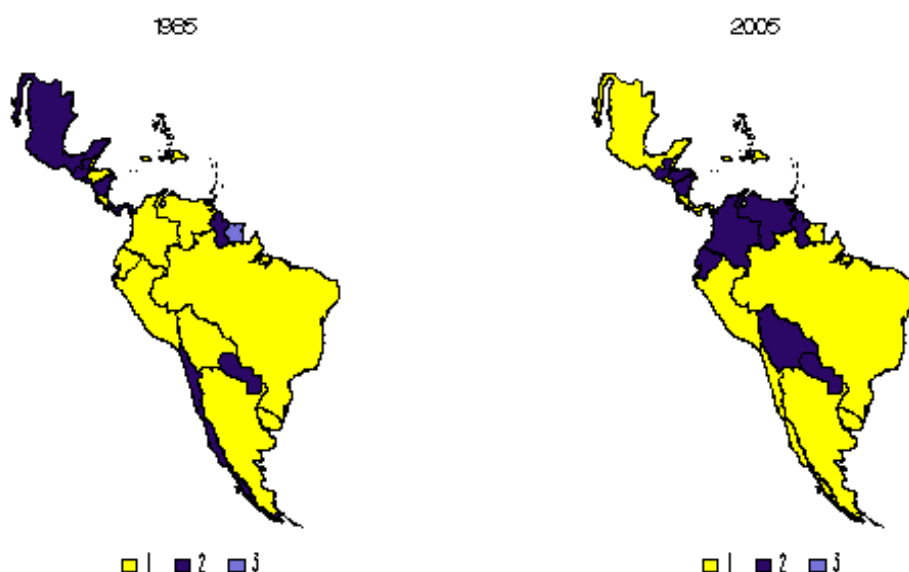
Thousand PPP dollars vs. Freedom House score



6.1 | Freedom Ratings

1=Free 2=Partly Free 3=Not Free

	1985	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Antigua and Barbuda	1	2	2	2	2	2	2	2	2	2	1	1
Bahamas	1	1	1	1	1	1	1	1	1	1	1	1
Barbados	1	1	1	1	1	1	1	1	1	1	1	1
Belize	1	1	1	1	1	1	1	1	1	1	1	1
Cuba	3	3	3	3	3	3	3	3	3	3	3	3
Dominica	1	1	1	1	1	1	1	1	1	1	1	1
Dominican Republic	1	2	2	2	1	1	1	1	1	1	1	1
Grenada	1	1	1	1	1	1	1	1	1	1	1	1
Guyana	2	1	1	1	1	1	1	1	1	1	1	2
Haiti	3	2	2	2	2	2	3	3	3	3	3	3
Jamaica	1	1	1	1	1	1	1	1	1	1	1	1
St. Kitts and Nevis	1	1	1	1	1	1	1	1	1	1	1	1
St. Lucia	1	1	1	1	1	1	1	1	1	1	1	1
St. Vincent and Grenadines	1	1	1	1	1	1	1	1	1	1	1	1
Suriname	3	2	2	2	2	2	1	1	1	1	1	1
Trinidad and Tobago	1	1	1	1	1	1	1	2	2	2	2	1
Caribbean	1.4	1.4	1.4	1.4	1.3	1.3	1.3	1.4	1.4	1.4	1.3	1.3
Costa Rica	1	1	1	1	1	1	1	1	1	1	1	1
El Salvador	2	2	2	1	1	1	1	1	1	1	1	1
Guatemala	2	2	2	2	2	2	2	2	2	2	2	2
Honduras	1	2	2	1	1	2	2	2	2	2	2	2
Nicaragua	2	2	2	2	1	2	2	2	2	2	2	2
Panama	2	1	1	1	1	1	1	1	1	1	1	1
Central America	1.7	1.7	1.7	1.3	1.2	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Argentina	1	1	1	1	1	1	1	2	2	1	1	1
Bolivia	1	2	1	1	1	1	1	1	1	2	2	2
Brazil	1	2	2	2	2	2	2	2	1	1	1	1
Chile	2	1	1	1	1	1	1	1	1	1	1	1
Colombia	1	2	2	2	2	2	2	2	2	2	2	2
Ecuador	1	1	2	2	1	1	2	2	2	2	2	2
Paraguay	2	2	2	2	2	2	2	2	2	2	2	2
Peru	1	2	2	2	2	2	2	1	1	1	1	1
Uruguay	1	1	1	1	1	1	1	1	1	1	1	1
Venezuela	1	2	1	1	1	2	2	2	2	2	2	2
South America	1.2	1.6	1.5	1.5	1.4	1.5	1.6	1.6	1.5	1.5	1.5	1.5
Mexico	2	2	2	2	2	2	1	1	1	1	1	1
LAC	1.4	1.5	1.5	1.4	1.3	1.4	1.4	1.5	1.4	1.4	1.4	1.4



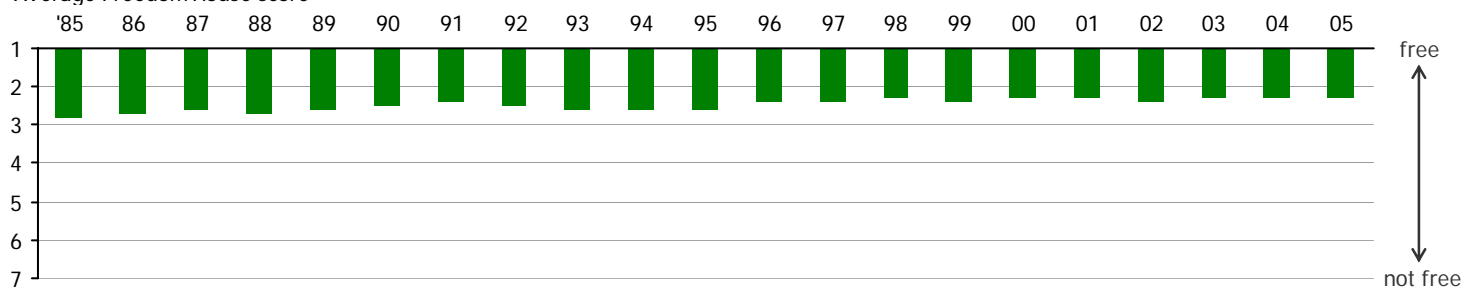
6.2 | Political Rights

1=highest degree of freedom 7=lowest degree of freedom

	1985	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Antigua and Barbuda	2	4	4	4	4	4	4	4	4	4	2	2
Bahamas	2	1	1	1	1	1	1	1	1	1	1	1
Barbados	1	1	1	1	1	1	1	1	1	1	1	1
Belize	1	1	1	1	1	1	1	1	1	1	1	1
Cuba	6	7	7	7	7	7	7	7	7	7	7	7
Dominica	2	1	1	1	1	1	1	1	1	1	1	1
Dominican Republic	1	4	3	3	2	2	2	2	2	3	2	2
Grenada	2	1	1	1	1	1	1	1	1	1	1	1
Guyana	5	2	2	2	2	2	2	2	2	2	2	3
Haiti	7	5	4	4	5	5	6	6	6	6	7	7
Jamaica	2	2	2	2	2	2	2	2	2	2	2	2
St. Kitts and Nevis	1	1	1	1	1	1	1	1	1	1	1	1
St. Lucia	1	1	1	1	1	1	1	1	1	2	1	1
St. Vincent and Grenadines	2	2	2	2	2	2	2	2	2	1	2	2
Suriname	6	3	3	3	3	3	1	1	1	1	1	2
Trinidad and Tobago	1	1	1	1	1	1	2	3	3	3	3	3
Caribbean	2.6	2.3	2.2	2.2	2.2	2.2	2.2	2.3	2.3	2.3	2.2	2.3
Costa Rica	1	1	1	1	1	1	1	1	1	1	1	1
El Salvador	2	3	3	2	2	2	2	2	2	2	2	2
Guatemala	4	4	3	3	3	3	3	3	4	4	4	4
Honduras	2	3	3	2	2	3	3	3	3	3	3	3
Nicaragua	5	4	3	3	2	3	3	3	3	3	3	3
Panama	6	2	2	2	2	1	1	1	1	1	1	1
Central America	3.3	2.8	2.5	2.2	2.0	2.2	2.2	2.2	2.3	2.3	2.3	2.3
Argentina	2	2	2	2	3	2	1	3	3	2	2	2
Bolivia	2	2	2	1	1	1	1	1	2	3	3	3
Brazil	3	2	2	3	3	3	3	3	2	2	2	2
Chile	6	2	2	2	3	2	2	2	2	1	1	1
Colombia	2	4	4	4	3	4	4	4	4	4	4	3
Ecuador	2	2	2	3	2	2	3	3	3	3	3	3
Paraguay	5	4	4	4	4	4	4	4	4	3	3	3
Peru	2	5	4	5	5	5	3	1	2	2	2	2
Uruguay	2	2	1	1	1	1	1	1	1	1	1	1
Venezuela	1	3	2	2	2	4	3	3	3	3	3	4
South America	2.7	2.8	2.5	2.7	2.7	2.8	2.5	2.5	2.6	2.4	2.4	2.4
Mexico	4	4	4	3	3	3	2	2	2	2	2	2
LAC	2.8	2.6	2.4	2.4	2.3	2.4	2.3	2.3	2.4	2.3	2.3	2.3

Political Rights in LAC

Average Freedom House score



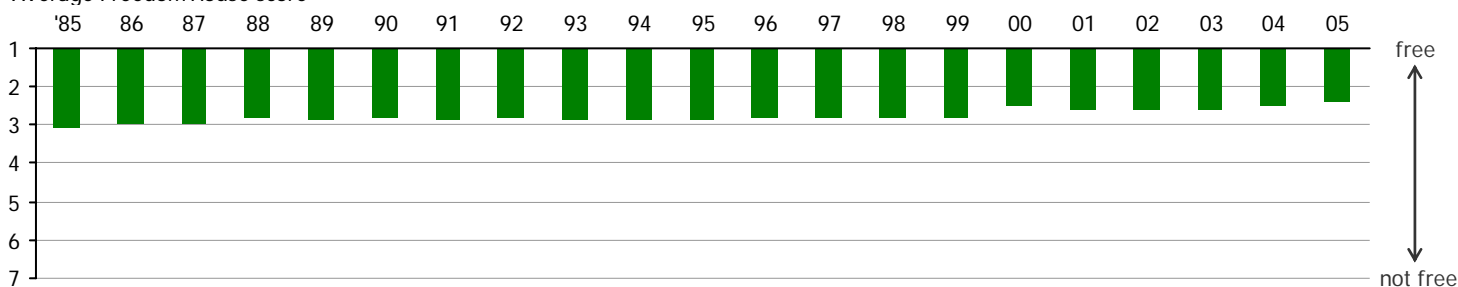
6.3 | Civil Liberties

1=highest degree of freedom 7=lowest degree of freedom

	1985	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Antigua and Barbuda	3	3	3	3	3	3	2	2	2	2	2	2
Bahamas	2	2	2	2	2	1	1	1	1	1	1	1
Barbados	2	1	1	1	1	1	1	1	1	1	1	1
Belize	1	1	1	1	1	1	1	1	2	2	2	2
Cuba	6	7	7	7	7	7	7	7	7	7	7	7
Dominica	2	1	1	1	1	1	1	1	1	1	1	1
Dominican Republic	3	3	3	3	3	3	2	2	2	2	2	2
Grenada	3	2	2	2	2	2	2	1	2	2	2	2
Guyana	5	2	2	2	2	2	2	2	2	2	2	3
Haiti	6	5	5	5	5	5	5	6	6	6	6	6
Jamaica	3	3	3	3	2	2	2	2	3	3	3	3
St. Kitts and Nevis	1	2	2	2	2	2	2	2	2	2	2	1
St. Lucia	2	2	2	2	2	2	2	2	2	1	2	1
St. Vincent and Grenadines	2	1	1	1	1	1	1	1	1	2	1	1
Suriname	6	3	3	3	3	3	2	2	2	2	2	2
Trinidad and Tobago	2	2	2	2	2	2	2	3	3	3	3	2
Caribbean	3.1	2.5	2.5	2.5	2.4	2.4	2.2	2.3	2.4	2.4	2.4	2.3
Costa Rica	1	2	2	2	2	2	2	2	2	2	1	1
El Salvador	4	3	3	3	3	3	3	3	3	3	3	3
Guatemala	4	5	4	4	4	4	4	4	4	4	4	4
Honduras	3	3	3	3	3	3	3	3	3	3	3	3
Nicaragua	5	4	3	3	3	3	3	3	3	3	3	3
Panama	3	3	3	3	3	2	2	2	2	2	2	2
Central America	3.3	3.3	3.0	3.0	3.0	2.8	2.8	2.8	2.8	2.8	2.7	2.7
Argentina	2	3	3	3	3	3	2	3	3	2	2	2
Bolivia	3	4	3	3	3	3	3	3	3	3	3	3
Brazil	2	4	4	4	4	4	3	3	3	3	3	2
Chile	5	2	2	2	2	2	2	2	1	1	1	1
Colombia	3	4	4	4	4	4	4	4	4	4	4	3
Ecuador	3	3	4	3	3	3	3	3	3	3	3	3
Paraguay	5	3	3	3	3	3	3	3	3	3	3	3
Peru	3	4	3	4	4	4	3	3	3	3	3	3
Uruguay	2	2	2	2	2	2	1	1	1	1	1	1
Venezuela	2	3	3	3	3	4	5	5	4	4	4	4
South America	3.0	3.2	3.1	3.1	3.1	3.2	2.9	3.0	2.8	2.7	2.7	2.5
Mexico	4	4	3	4	4	4	3	3	2	2	2	2
LAC	3.1	2.9	2.8	2.8	2.8	2.8	2.5	2.6	2.6	2.6	2.5	2.4

Civil Liberties in LAC

Average Freedom House score



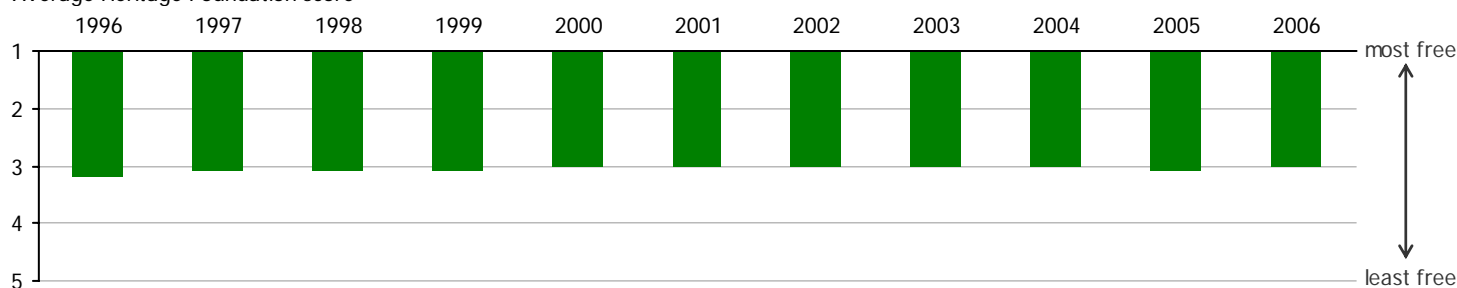
6.4 | Economic Freedom

1=the most free 5=the least free

	Economic Freedom Scores					Factors of the Economic Freedom Score - 2006									
	2003	2004	2005	2006		Trade Policy	Taxation Policy	State Intervention	Monetary Policy	Capital Flows	Banking Policy	Wage & Price Controls	Property Rights	Regulation	Black Market
Bahamas	2.2	2.3	2.3	2.3		5.0	1.6	2.0	1.0	3.0	2.0	3.0	1.0	2.0	2.0
Barbados	2.2	2.4	2.4	2.3		4.0	3.5	2.5	1.0	3.0	2.0	2.0	1.0	2.0	1.5
Belize	2.7	2.7	2.7	2.8		4.5	2.8	2.0	1.0	3.0	3.0	2.0	3.0	3.0	3.5
Cuba	4.5	4.1	4.2	4.1		3.5	4.5	4.5	1.0	4.0	5.0	5.0	5.0	5.0	3.5
Dominican Republic	3.3	3.5	3.5	3.4		3.5	2.9	1.5	5.0	3.0	3.0	3.0	4.0	4.0	4.0
Guyana	3.2	3.1	3.1	3.1		4.0	4.1	3.0	2.0	3.0	2.0	2.0	3.0	4.0	4.0
Haiti	3.9	3.7	4.1	4.0		2.5	4.3	3.0	5.0	4.0	4.0	3.0	5.0	5.0	4.5
Jamaica	2.7	2.8	2.8	2.8		3.5	4.1	2.5	3.0	1.0	2.0	2.0	3.0	3.0	3.5
Suriname	4.0	4.0	3.9	3.6		4.0	4.0	3.0	4.0	4.0	4.0	3.0	3.0	4.0	3.0
Trinidad and Tobago	2.5	2.4	2.5	2.5		2.5	3.5	2.0	2.0	2.0	2.0	3.0	2.0	3.0	3.0
Caribbean	3.1	3.1	3.1	3.1		3.7	3.5	2.6	2.5	3.0	2.9	2.8	3.0	3.5	3.3
Costa Rica	2.8	2.7	2.8	2.7		2.5	3.4	2.0	3.0	2.0	3.0	2.0	3.0	3.0	3.0
El Salvador	2.4	2.2	2.2	2.4		2.5	3.0	2.0	2.0	2.0	2.0	2.0	3.0	2.0	3.0
Guatemala	3.0	3.2	3.2	3.0		2.5	3.6	1.0	3.0	3.0	3.0	2.0	4.0	4.0	4.0
Honduras	3.2	3.5	3.4	3.3		3.5	3.3	3.0	3.0	3.0	2.0	3.0	4.0	4.0	4.0
Nicaragua	3.1	3.0	2.9	3.1		2.5	4.0	2.0	3.0	2.0	2.0	3.0	4.0	4.0	4.0
Panama	2.6	2.8	2.7	2.7		3.0	3.5	3.0	1.0	2.0	2.0	2.0	4.0	3.0	3.5
Central America	2.9	2.9	2.9	2.8		2.8	3.5	2.2	2.5	2.3	2.3	2.3	3.7	3.3	3.6
Argentina	3.1	3.4	3.5	3.3		3.0	4.0	2.0	3.0	3.0	4.0	3.0	4.0	3.0	4.0
Bolivia	2.5	2.6	2.8	3.0		3.0	2.6	2.0	2.0	4.0	2.0	2.0	4.0	4.0	4.0
Brazil	3.1	3.1	3.2	3.1		3.5	2.8	4.0	3.0	3.0	3.0	2.0	3.0	3.0	3.5
Chile	2.1	1.9	1.9	1.9		1.5	2.3	2.5	1.0	2.0	2.0	2.0	1.0	3.0	1.5
Colombia	3.1	3.1	3.2	3.2		3.5	4.1	3.5	3.0	3.0	2.0	2.0	4.0	3.0	3.5
Ecuador	3.6	3.6	3.5	3.3		3.5	3.0	1.5	3.0	4.0	3.0	3.0	4.0	4.0	4.0
Paraguay	3.4	3.4	3.5	3.3		3.0	2.6	3.0	3.0	3.0	3.0	3.0	4.0	4.0	4.5
Peru	2.9	2.9	2.8	2.9		3.5	3.6	2.0	1.0	3.0	2.0	2.0	4.0	4.0	3.5
Uruguay	2.5	2.6	2.6	2.7		2.5	3.4	2.5	3.0	2.0	4.0	2.0	2.0	3.0	2.5
Venezuela	3.8	4.2	4.1	4.2		4.0	4.1	3.5	5.0	5.0	4.0	4.0	4.0	4.0	4.0
South America	3.0	3.1	3.1	3.1		3.1	3.3	2.7	2.7	3.2	2.9	2.5	3.4	3.5	3.5
Mexico	2.8	2.9	2.8	2.8		2.5	3.8	3.5	2.0	3.0	2.0	2.0	3.0	3.0	3.5
LAC	3.0	3.0	3.1	3.0		3.2	3.4	2.6	2.6	2.9	2.7	2.6	3.3	3.4	3.4

Economic Freedom in LAC

Average Heritage Foundation score



6.5 | World Bank Institute, Governance Matters Indicators - 2004
-2.5 to 2.5 (higher scores better)

	Calculated average		Voice & Accountability	Political Stability	Government Effectiveness	Regulatory Framework	Rule of Law	Control of Corruption
Anguilla	0.87		0.74	0.90	0.87	0.96	1.00	0.78
Antigua and Barbuda	0.77		0.48	1.30	0.31	0.73	0.91	0.88
Aruba	0.92		0.64	0.97	0.84	0.93	1.00	1.17
Bahamas	1.13		1.14	0.94	1.27	0.78	1.28	1.36
Barbados	1.13		1.17	1.52	1.18	0.91	1.21	0.81
Belize	0.37		0.91	0.65	0.16	0.32	0.25	-0.07
Bermuda	1.06		0.99	1.02	1.39	0.98	1.10	0.88
Cayman Islands	1.17		0.76	1.58	1.39	0.96	1.17	1.17
Cuba	-0.95		-1.88	0.18	-0.47	-1.81	-1.12	-0.62
Dominica	0.68		1.13	1.19	0.31	0.53	0.66	0.25
Dominican Republic	-0.25		0.27	-0.01	-0.46	-0.28	-0.54	-0.50
French Guiana	0.48		0.44	0.48	0.68	0.19	0.50	0.59
Grenada	0.54		0.85	0.95	0.10	0.37	0.46	0.52
Guyana	-0.18		0.62	-0.53	-0.20	-0.14	-0.48	-0.35
Haiti	-1.59		-1.50	-1.87	-1.90	-1.11	-1.66	-1.49
Jamaica	-0.05		0.54	-0.28	0.13	0.15	-0.32	-0.52
Martinique	0.91		0.68	1.47	0.84	0.80	0.95	0.69
Netherlands Antilles	0.75		0.44	0.66	0.82	0.80	0.75	1.02
Puerto Rico	0.92		1.02	1.07	1.05	0.75	0.74	0.88
St. Kitts and Nevis	0.58		0.75	1.41	-0.16	0.44	0.71	0.34
St. Lucia	0.68		0.97	1.41	0.19	0.46	0.75	0.29
St. Vincent and Grenadines	0.68		0.96	1.31	0.23	0.48	0.76	0.34
Suriname	0.05		0.60	0.36	-0.23	-0.52	-0.25	0.36
Trinidad and Tobago	0.30		0.49	0.04	0.47	0.61	0.17	0.02
Virgin Islands (U.S.)	0.87		0.66	0.68	0.77	0.96	1.24	0.88
Caribbean	0.47	 	0.55	0.70	0.38	0.37	0.45	0.39
Costa Rica	0.77		1.11	0.98	0.49	0.67	0.57	0.78
El Salvador	-0.06		0.26	-0.23	-0.22	0.56	-0.34	-0.39
Guatemala	-0.65		-0.39	-0.85	-0.87	-0.07	-0.96	-0.74
Honduras	-0.51		-0.02	-0.69	-0.68	-0.33	-0.61	-0.71
Nicaragua	-0.32		0.06	-0.15	-0.71	-0.15	-0.65	-0.34
Panama	0.16		0.54	0.29	0.01	0.22	-0.04	-0.06
Central America	-0.10	 	0.26	-0.11	-0.33	0.15	-0.34	-0.25
Argentina	-0.34		0.49	-0.24	-0.33	-0.81	-0.71	-0.44
Bolivia	-0.43		-0.01	-0.65	-0.63	0.05	-0.55	-0.78
Brazil	0.01		0.34	-0.13	0.02	0.19	-0.21	-0.15
Chile	1.25		1.09	0.89	1.27	1.62	1.16	1.44
Colombia	-0.55		-0.47	-1.69	-0.18	-0.12	-0.70	-0.16
Ecuador	-0.65		-0.19	-0.83	-0.85	-0.60	-0.71	-0.75
Paraguay	-0.78		-0.23	-0.71	-1.07	-0.60	-1.09	-0.99
Peru	-0.35		-0.04	-0.68	-0.58	0.17	-0.63	-0.35
Uruguay	0.54		1.00	0.49	0.52	0.30	0.42	0.50
Venezuela	-0.97		-0.46	-1.10	-0.96	-1.24	-1.10	-0.94
South America	-0.23	 	0.15	-0.47	-0.28	-0.10	-0.41	-0.26
Mexico	0.04		0.36	-0.13	-0.02	0.55	-0.26	-0.27
LAC	0.21	 	0.41	0.29	0.11	0.23	0.12	0.13

Sources and Technical Notes - Democracy

Figures

Governance in the LAC Region

Source Kaufmann, Daniel, Kraay, Aart and Mastruzzi, Massimo, "Governance Matters IV: Governance Indicators for 1996-2004" (May 2005). World Bank Policy Research Working Paper Series No. 3630 Available at SSRN: <http://ssrn.com/abstract=718081> or DOI: 10.2139/ssrn.718081; data available online at the World Bank Institute.

Notes Original scores, which are originally scaled to a range of -2.5 to 2.5, have been re-scaled to a range of 0 to 5, with higher scores indicating better outcomes. Associated confidence intervals are not reported here, but are included in the original source material. Figure depicts the unweighted average scores of all LAC countries. See Table 6.5 for definitions of indicators.

Economic Freedom in LAC

Source The Heritage Foundation, *The Index of Economic Freedom 2006*, Washington, D.C., 2006.

Notes Heritage Foundation's Economic Freedom scores are inverted and re-scaled so that 0 represents the least degree of freedom and 5 the most freedom. Therefore, the further a point is away from 0, the more freedom is indicated. Figure depicts the unweighted average scores of all LAC countries. See Table 6.4 for related definitions.

Freedom and Per Capita GDP in LAC

Sources IMF, *World Economic Outlook*, April, 2006; and Freedom House, *Freedom in the World 2006*, Washington, D.C., 2005.

Note Labeled countries are selected only based on legibility. See Table 6.1 for definition of *Freedom*. *PPP* indicates US dollars converted from local currency using the principle of Purchasing Power Parity to allow for international comparison by accounting for inflation and exchange rate variations; see Chapter 7 for definition.

Table 6.1

Freedom Ratings

Source Freedom House, *Freedom in the World 2006*, Washington, D.C., 2005.

Definition As defined by Freedom House, *freedom* encompasses two sets of characteristics grouped under political rights and civil liberties. *Political rights* enable people to participate freely in the political process. In this case, political process refers to the system by which the polity chooses the authoritative policy makers and attempts to make binding decisions affecting the national, regional or local community. A system is genuinely free or democratic to the extent that the people have a choice in

determining the nature of the system and its leaders. *Civil liberties* are the freedoms to develop views, institutions, and personal autonomy apart from the state.

Notes Freedom is rated from 1 to 3, where 1=free, 2=partly free, and 3=not free. Regional averages are not weighted.

Table 6.2

Political Rights

Source Freedom House, *Freedom in the World 2006*, Washington, D.C., 2005.

Definition *Political rights* enable people to participate freely in the political process. In this case, political process refers to the system by which the polity chooses the authoritative policy makers and attempts to make binding decisions affecting the national, regional or local community. A system is genuinely free or democratic to the extent that the people have a choice in determining the nature of the system and its leaders.

Notes Political rights are rated between 1 and 7, where 1 is the highest degree of freedom and 7 is the lowest degree of freedom. Regional averages are not weighted.

Table 6.3

Civil Liberties

Source Freedom House, *Freedom in the World 2006*, Washington, D.C., 2005.

Definition *Civil liberties* are the freedoms to develop views, institutions and personal autonomy from the state.

Notes Civil Liberties are rated between 1 and 7, where 1 is the highest degree of freedom and 7 is the lowest degree of freedom. Regional averages are not weighted.

Table 6.4

Economic Freedom

Source The Heritage Foundation, *The Index of Economic Freedom 2005*, Washington, D.C., 2005.

Definition As defined by the Heritage Foundation, *Economic Freedom* refers to absence of government coercion or constraint on the production, distribution, or consumption of goods and services.

Notes Figures reflect the original data source's refinements and updates of previously published data. Each country has been given an overall economic freedom score based on the average of 10 individual factor scores. These factors are rated on a scale from 1 to 5: factors rated with a 5 signify a 'least free' rating and factors rated with a 1 signify a 'most free' rating. The Heritage Foundation treats the 10 factors as equally important to the level of economic freedom in any country. As such, the factors are not weighted. Regional averages are not weighted. The factors are as

follows: 1) Trade policy: based on average tariff rates; 2) Taxation Policy: based on income and corporate tax rates; 3) State Intervention in the Economy: based on government consumption as a percentage of GDP and size of the state-owned sector; 4) Monetary Policy: based on average inflation rate; 5) Capital Flows and Foreign Investment: based on an assessment of the limitations or supports for foreign investment; 6) Banking Policy: based on a sliding scale that measures the relative openness of a country's banking system; 7) Wage and Price Controls: based on an assessment of the relative degree to which the government controls wages and prices; 8) Property Rights: based on an assessment of the government's protection of private property rights; 9) Regulation: based on the perceived burden of regulation, levels of corruption, and uniformity of application; 10) Black Market: based on an estimate of the size of the black market as a percentage of GDP. Regional averages are not weighted.

Table 6.5

Governance Matters Indicators

Source Kaufmann, Daniel, Kraay, Aart and Mastruzzi, Massimo, "Governance Matters IV: Governance Indicators for 1996-2004" (May 2005). World Bank Policy Research Working Paper Series No. 3630 Available at SSRN: <http://ssrn.com/abstract=718081> or DOI: 10.2139/ssrn.718081; data available online at the World Bank Institute.

Definition *Calculated average* is the unweighted average of each country's or sub-region's scores in the following indicators: *Voice and Accountability* measures the extent to which citizens of a country are able to participate in the selection of governments. *Political Stability* measures perceptions of the likelihood that the government in power will be destabilized or overthrown by possibly unconstitutional and/or violent means, including domestic violence and terrorism. *Government Effectiveness* combines responses on the quality of public service provision, the quality of the bureaucracy, the competence of civil servants, the independence of the civil service from political pressures, and the credibility of the government's commitment to policies. *Regulatory Quality* focuses more on the policies themselves, including measures of the incidence of market-unfriendly policies such as price controls or inadequate bank supervision, as well as perceptions of the burdens imposed by excessive regulation in areas such as foreign trade and business development. *Rule of Law* the extent to which agents have confidence in and abide by the rules of society. *Control of Corruption* the extent to which public power is exercised for private gain.

